

# **SUBCOMMITTEE NO. 3**

## **Agenda**

### **Health, Human Services, Labor & Veteran's Affairs**

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**Chair, Senator Elaine K. Alquist**

**Senator Alex Padilla**  
**Senator Mark Wyland**



**April 17, 2008**

**9:30 AM or**  
**Upon Adjournment of Session**

**Room 4203**  
**(John L. Burton Hearing Room)**

(Diane Van Maren)

<b><u>Item</u></b>	<b><u>Department</u></b>
<b>4300</b>	<b>Department of Developmental Services</b>

**PLEASE NOTE:**

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Thank you.

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## Item 4300 Department of Developmental Services

### **A. OVERALL BACKGROUND (Through Page 5)**

**Purpose and Description of Department.** The Department of Developmental Services (DDS) administers services in the community through 21 Regional Centers (RC) **and** in state Developmental Centers (DC) for persons with developmental disabilities as defined by the provisions of the Lanterman Developmental Disabilities Services Act. Almost 99 percent of consumers live in the community, and slightly more than one percent live in a state-operated Developmental Center.

To be eligible for services, the disability must begin before the consumer's 18th birthday; be expected to continue indefinitely; present a significant disability; and be attributable to certain medical conditions, such as mental retardation, autism, and cerebral palsy.

**The purpose of the department is to:** (1) ensure that individuals receive needed services; (2) ensure the optimal health, safety, and well-being of individuals served in the developmental disabilities system; (3) ensure that services provided by vendors, Regional Centers, and the Developmental Centers are of high quality; (4) ensure the availability of a comprehensive array of appropriate services and supports to meet the needs of consumers and their families; (5) reduce the incidence and severity of developmental disabilities through the provision of appropriate prevention and early intervention service; and (6) ensure the services and supports are cost-effective for the state.

**Description and Characteristics of Consumers Served.** The department annually produces a Fact Book (November 2005 edition) which contains pertinent data about persons served by the department. As noted below, individuals with developmental disabilities have a number of residential options. Almost 99 percent receive community-based services and live with their parents or other relatives, in their own houses or apartments, or in group homes (various models) that are designed to meet their medical and behavioral needs.

#### **Department of Developmental Services—Demographics Data from 2008**

<i>Table 1</i> Age	Number of Persons	Percent of Total	<i>Table 2</i> Residence Type	Number of Persons	Percent of Total in Residence
Birth to 2 Yrs.	26,559	12.4	Own Home-Parent	156,204	72.6
3 to 13 Yrs.	59,643	27.7	Community Care	26,744	12.4
14 to 21 Yrs.	36,989	17.2	Independent Living /Supported Living	18,802	8.7
22 to 31 Yrs.	30,716	14.3	Skilled Nursing/ICF	8,811	4.1
32 to 41 Yrs.	22,163	10.3	Developmental Center	2,891	1.3
42 to 51 Yrs.	21,229	9.9	Other	1,594	0.7
52 to 61 Yrs.	12,157	5.7			
62 and Older	5,590	2.6			
<b>Totals</b>	<b>215,046</b>	<b>100.0</b>	<b>Totals</b>	<b>215,046</b>	<b>100.0</b>

**Summary of Funding for the Department.** The budget proposes total expenditures of \$4.5 billion (\$2.7 billion General Fund), for a *net* overall increase of \$53.4 million (\$59.8 million General Fund) over the revised current year for the developmental services system. The proposed augmentation represents an increase of 1.2 percent over the revised current year.

**Summary of Department of Developmental Services—Governor’s Budget**

	<b>2007-08 Estimated Total Funds</b>	<b>2008-09 Proposed Total Funds</b>	<b>Difference</b>
<b>Regional Centers</b>			
Operations	\$502,714,000	\$524,983,000	\$141,591,000
Purchase of Services	\$3,133,956,000	\$3,253,278,000	\$22,269,000
Early Intervention Services	\$20,095,000	\$20,095,000	\$119,322,000
<b>Subtotal</b>	<b>\$3,656,765,000</b>	<b>\$3,798,356,000</b>	<b>\$141,591,000</b>
Funding:			
General Fund	\$2,222,421,000	\$2,342,220,000	\$119,799,000
Public Transportation Fund	\$128,806,000	\$140,899,000	\$12,093,000
Program Development Funds	\$1,075,000	\$1,147,000	\$72,000
Federal Funds	\$52,584,000	\$75,076,000	\$22,492,000
Reimbursements	\$1,251,879,000	\$1,238,274,000	-\$13,605,000
Mental Health Services Fund	0	\$740,000	\$740,000
<b>Developmental Center Program</b>			
Personal Services	\$596,349,000	\$536,962,000	-\$59,387,000
Operating Expenses	\$158,425,000	\$130,200,000	-\$28,225,000
<b>Subtotal</b>	<b>\$754,774,000</b>	<b>\$667,162,000</b>	<b>-\$87,612,000</b>
Funding:			
General Fund	\$414,607,000	\$354,836,000	-\$59,771,000
Federal Funds	\$620,000	\$554,000	-\$66,000
Lottery Education Fund	\$563,000	\$563,000	0
Reimbursements	\$338,985,000	\$311,209,000	-\$27,776,000
<b>Headquarters Support</b>			
Personal Services	\$32,918,000	\$31,991,000	-\$927,000
Operating Expenses	\$7,782,000	\$8,106,000	\$324,000
<b>Subtotal</b>	<b>\$40,700,000</b>	<b>\$40,097,000</b>	<b>-\$603,000</b>
Funding:			
General Fund	\$26,757,000	\$26,532,000	-\$225,000
Federal Funds	\$2,345,000	\$2,351,000	6,000
Program Development Funds	\$280,000	\$280,000	0
Reimbursements	\$11,319,000	\$10,557,000	-\$762,000
Mental Health Services Fund	0	\$378,000	\$378,000
<b>TOTAL</b>	<b>\$4,452,239,000</b>	<b>\$4,505,615,000</b>	<b>\$53,376,000</b>

**Governor's Proposed Reductions for Department of Developmental Services.** The Governor declared a fiscal emergency on January 10th, utilizing the authority provided within the State Constitution as provided for under Proposition 58 of 2004. Under this authority, the Governor can call the Legislature into Special Session to deal with substantial revenue declines or expenditure increases, and to address the fiscal emergency. Other than utilizing remaining bond financing, the Governor has generally proposed a 10 percent across-the-board reduction approach to the fiscal emergency.

With respect to the Department of Developmental Services (DDS), the Governor has proposed a reduction of almost \$1.8 million (General Fund) in the current year and \$286.4 million (General Fund) in the budget year. Each of the individual proposals are listed below.

**Governor's Proposed "General Fund" Reductions to Department of Developmental Services**

Program Area	Governor's Proposed 2007-08 Reduction	Governor's Proposed 2008-09 Reduction
<b>Community-Based Programs</b>		
1. Roll back Devereux Supplemental Rate		-\$1,185,000
2. Family Cost Participation Expansion		-\$773,000
3. Cost Containment for Purchase of Services		-\$228,822,000
4. Ten Percent Reduction to Supported Employment		-\$7,740,000
5. Reduce by Ten Percent Clients' Rights Advocacy		-\$512,000
6. Regional Center Operations for Community Placement		-\$2,000,000
7. Cost Containment for Regional Center Operations	-\$660,000	-\$20,496,000
8. Reduce Regional Center Operations--HIPAA	-\$23,000	-\$71,000
<b>Subtotal</b>	<b>-\$683,000</b>	<b>-\$261,599,000</b>
<b>Developmental Centers</b>		
1. Defer expansion at Porterville of 96-beds		-\$11,700,000
2. Consolidate Regional Resource Development Projects		-\$663,000
3. Advocacy Services Agreements	-\$39,000	-\$119,000
4. Adjust Quality Assurance Fees for Closure of Agnews	-\$755,000	-\$2,288,000
5. Adjust Porterville Protective Services	-\$181,000	-\$547,000
6. Reduce Developmental Centers Operating Expenses		-\$5,871,000
<b>Subtotal</b>	<b>-\$975,000</b>	<b>\$21,188,000</b>
<b>Developmental Centers Education Services</b>	<b>--</b>	<b>-\$913,000</b>
<b>Headquarters</b>		
1. Reduce Information Systems Positions		-\$540,000
2. Reduce Developmental Centers Positions		-\$148,000
3. Reduce Clinical Staff at Headquarters		-\$128,000
4. Reduce Support for Community Placement Plan		-\$80,000
5. Reduce Fiscal Audit Appeals Staff		-\$46,000
6. Reduce Operating Expenses of Headquarters		-\$1,418,000
7. Reduce Fiscal Audits Program	-\$23,000	-\$71,000
8. Reduce Vendor Fiscal Audits Program	-\$96,000	-\$291,000
<b>Subtotal</b>	<b>-\$119,000</b>	<b>-\$2,722,000</b>
<b>Governor's Proposed Reductions Total for DDS</b>	<b>-\$1,777,000</b>	<b>-\$286,422,000</b>

**Legislature's Special Session Actions.** After numerous hearings convened by both the Senate and Assembly, the Legislature took action to reduce the current-year shortfall of \$3.3 billion and converted it into a little over \$1 billion in General Fund reserve.

In addition, the resulting projected budget year deficiency was reduced by \$7 billion, leaving an estimated shortfall of almost \$8 billion at this time. In addition, the actions of the Legislature provided \$8.6 billion in cash management solutions to enable the state to maintain its ability to pay its bills.

With respect to actions taken regarding the DDS budget, the Legislature adopted the following reduction proposals of the Governor as noted in the table below.

**Governor's Reductions Adopted by Legislature in Special Session**

<b>Department of Developmental Services</b>	<b>Reduction for 2007-08 (General Fund)</b>	<b>Reduction for 2008-09 (General Fund)</b>
<b>Community-Based Services</b>		
Governor's Cost Containment Measures for POS		-\$228,800,000
Governor's Cost Containment for Regional Center Operations		-\$20,500,000
Governor's Expansion of Family Cost Participation Fee		-\$773,000
Governor's Reduction: Community Placement Operations by 10%	-\$660,000	-\$2,000,000
Governor's Reduction: Regional Center Operations for HIPAA	-\$23,000	-\$71,000
<b>SUBTOTAL</b>	<b>-\$683,000</b>	<b>-\$252,144,000</b>
<b>Developmental Centers</b>		
Governor's Reduction: Reduced ICF-DD Quality Assurance Fee	-\$755,000	-\$2,300,000
Governor's Reduction: Reduce Client's Rights Advocacy Agreements	-\$39,000	-\$119,000
Governor's Reduction: Reduce Porterville Office of Protective Services	-\$181,000	-\$547,000
Governor's Reduction: Reduce Regional Resource Projects		-\$663,000
<b>SUBTOTAL</b>	<b>-\$975,000</b>	<b>-\$3,629,000</b>
<b>State Support</b>		
Governor's Reduction: Reduce Fiscal Audits Program	-\$23,000	-\$23,000
Governor's Reduction: Reduce Vendor Audits	-\$96,000	-\$291,000
<b>SUBTOTAL</b>	<b>-\$119,000</b>	<b>-\$314,000</b>
<b>TOTALS</b>	<b>-\$1,777,000</b>	<b>-\$256,087,000</b>

In addition, as requested by the Governor, the Legislature also adopted \$400 million (General Fund) in *cash management* solutions regarding the Regional Centers. Specifically, the DDS will be delaying the two-month advance of \$400 million (General Fund) traditionally provided to the Regional Centers. This is a one-time only adjustment and means that the advance will be received in late September instead of earlier in August.

The Legislature adopted the Governor's statutory changes as requested for the reductions specified in the table above. These statutory changes are contained in Assembly Bill 5 XXX, Statutes of 2008.

## **B. ISSUES FOR “Vote Only” (Through Page 8)**

### **1. Governor’s Proposal to Delete Supplemental Rate for Devereux**

**Issue.** The Governor is proposing to eliminate the supplemental rate for the Devereux facility, located in Santa Barbara, which was provided by the Legislation in the Budget Act of 2000. The DDS states that eliminating this supplemental rate will save \$1.185 million (General Fund).

The DDS notes that Devereux has gradually reduced its services to consumers and the supplemental rate can no longer be justified. Further, due to audit concerns of the program at Devereux, the DDS states that the contract with Devereux was not executed in 2007-08.

**Subcommittee Staff Recommendation—Adopt Governor’s Proposal.** No issues have been raised.

### **2. Governor’s Proposal to Reduce DDS Headquarters Staff**

**Issue.** The Governor is proposing a reduction of \$255,000 (\$128,000 General Fund) by eliminating a Psychologist and a Physician from the DDS headquarters office.

**Subcommittee Staff Recommendation—Adopt Governor’s Proposal.** No issues have been raised. The DDS had choices to make as to how they would address their headquarters reductions, and this is what was selected.

### **3. Governor’s Proposal to Reduce DDS Headquarters Staff**

**Issue.** The Governor is proposing a reduction of \$158,000 (\$80,000 General Fund) by eliminating two positions—Community Program Specialist II’s-- that provide support to the Regional Centers for the development of an annual Community Placement Plan. This proposal is the companion piece to the Regional Center reduction for administrative staff for the Community Placement Plan process which was done in Special Session as requested by the Governor.

**Subcommittee Staff Recommendation—Adopt Governor’s Proposal.** No issues have been raised. The DDS had choices to make as to how they would address their headquarters reductions, and this is what was selected.

***(Vote-Only continued)***

**4. Governor's Proposal to Reduce DDS Headquarters Staff**

**Issue.** The Governor is proposing a reduction of \$88,000 (\$46,000 General Fund) by deleting one position and re-designing the administrative appeals process. The workload would be absorbed by other positions within the section.

**Subcommittee Staff Recommendation—Adopt Governor's Proposal.** No issues have been raised. The DDS had choices to make as to how they would address their headquarters reductions, and this is what was selected.

**5. Governor's Proposal to Reduce Operating Expenses at DDS Headquarters**

**Issue.** The Governor is proposing a reduction of \$1.418 million (General Fund) by reducing operating expenses, such as printing, general expense, communication and other expenses.

**Subcommittee Staff Recommendation—Adopt Governor's Proposal.** No issues have been raised. The DDS had choices to make as to how they would address their headquarters reductions, and this is what was selected.

**6. Governor's Proposal to Reduce Developmental Centers Funding**

**Issue.** The Governor is proposing a reduction of \$913,000 (Proposition 98/General Fund) by reducing certain contract expenditures. The DDS states that most of this reduction will occur on the natural with the closure of Agnews Developmental Center. Another piece of the reduction pertains to some classes received by residents of Sonoma Developmental Center.

The DDS has informed Subcommittee staff that this reduction will not in any way adversely affect any individual's right to a free and appropriate education. Instead there will be some restructuring of some educational offerings.

**Subcommittee Staff Recommendation—Adopt Governor's Proposal.** No issues have been raised.

## **7. Governor's Proposal to Reduce Operating Expenses at DCs**

**Issue.** The Governor proposes a reduction of \$10.2 million (\$5.9 million General Fund) from the operating expenses and equipment area of the Developmental Center's budget, including the two community facilities operated by the DDS.

Other than personal services, the Developmental Center budget consists of operating expenses and equipment, which includes items such as utilities, food, drugs, clothing, general expenses, staff travel, data processing, special repairs, communications, data processing, and legal settlements. These expenditures are essential for supporting operations and maintaining facilities.

The DDS states that their proposed reduction of \$10.2 million (\$5.9 million General Fund) would be achieved as follows:

- Reduce staff travel, contracts and equipment;
- Eliminate funds for an analysis to procure a health information system for the Developmental Centers;
- Eliminate the price increase of 2.4 percent for the operating expense base;
- Reduce other non-critical operating expenses through deferred purchasing, preventive maintenance and repairs.

DDS notes that these reductions in operating expenses will need to be assertively managed and will present some challenges. However, the challenges are more feasible to accomplish than affecting the direct care of consumers through staffing reductions.

**Subcommittee Staff Comment and Recommendation—Adopt Governor's Proposal.** Subcommittee recommends approval of the proposal. In order to mitigate reductions in direct services, it is recommended to adopt the Governor's proposal.

## **8. Eliminate Funding in Special Contract Arrangement**

**Issue.** In the Budget Act of 2000, an augmentation of \$1 million General Fund was provided for the Best Buddies Program. This augmentation was originally provided as a special request when General Fund revenues were robust. Since this time, an additional \$500,000 (General Fund) was provided in the Budget Act of 2006 for a total annual appropriation of \$1.5 million (General Fund).

This program provides opportunities for socialization and social integration for persons with developmental disabilities. This is achieved by pairing high school and college students with individuals with developmental disabilities.

Subcommittee staff notes that the DDS program has no other contractual relationship such as this for the provision of services within the appropriation for community-based, Regional Center services.

**Subcommittee Staff Comment and Recommendation—Eliminate \$1.5 million.** Due to the fiscal crisis, it is recommended to delete this special contract funding in order to maintain core services to persons with developmental disabilities. Regional Centers can purchase services from the Best Buddies Program when appropriate utilizing existing resources.



## C. ISSUES FOR DISCUSSION—Developmental Centers

**Background on Developmental Centers (DCs).** State Developmental Centers (DCs) are licensed and federally certified as Medicaid providers via the Department of Health Care Services. They provide direct services which include the care and supervision of all residents on a 24-hour basis, supplemented with appropriate medical and dental care, health maintenance activities, assistance with activities of daily living and training. Education programs at the DCs are also the responsibility of the DDS.

The DDS operates five Developmental Centers (DCs)—Agnews, Fairview, Lanterman, Porterville and Sonoma. Porterville is unique in that it provides forensic services in a secure setting. In addition, the department leases Sierra Vista, a 54-bed facility located in Yuba City, and Canyon Springs, a 63-bed facility located in Cathedral City. Both of these facilities provide services to individuals with severe behavioral challenges.

**Background--Summary of Funding and Enrollment.** The budget proposes expenditures of \$669.4 million (\$357 million General Fund), excluding state support, to serve *an average* of 2,449 residents who reside in the state DC system. This reflects a caseload decrease of 171 residents or 6.5 percent, as noted in the table below.

The most significant change in population is due to the DDS' closure of Agnews Developmental Center by June 30, 2008.

**Table: Summary of Developmental Center Budget Year Population (Average)**

Facility	Current Year 2008-09	Budget Year 2008-09	Difference
Agnews DC	121	0	-121
Canyon Springs (community-based)	52	52	0
Fairview DC	560	527	-33
Lanterman DC	485	442	-43
Porterville DC	666	703	37
Sierra Vista (community-based)	51	50	-1
Sonoma DC	685	675	-10
<b>Total</b>	<b>2,620 people</b>	<b>2,449 people</b>	<b>-171 people</b>

**Background—Transitioning to Community Services.** The population of California's Developmental Centers has decreased over time. The development of community services as an alternative to institutional care in California mirrors national trends that support the development of integrated services and the reduced reliance on state institutions.

The implementation of the Coffelt Settlement agreement resulted in a reduction of California's Developmental Center population by more than 2,320 persons between 1993 and 1998. This was accomplished by creating new community living arrangements, developing new assessment and individual service planning procedures and quality assurance systems.

The United States Supreme Court decision in *Olmstead v L.C., et al* (1999) stated that services should be provided in community settings when treatment professionals have determined that community placement is appropriate, when the individual does not object to community placement, and when the placement can reasonably be accommodated.

## **1. Governor's Proposal to Defer Expansion at Porterville DC**

**Issue.** The Governor proposes to defer any population expansion at Porterville DC for the "Secure Treatment Program" beyond the existing 300 beds for savings of \$11.7 million General Fund in 2008-09. The DDS is also proposing trailer bill language for this purpose.

The DDS' proposed savings comes from *not* utilizing the 96-bed residential expansion (6 units with 16-beds each) which is scheduled for completion in October 2008. Therefore, if the population of the Secure Treatment Program at Porterville is not increased, the DDS will not need to hire staff to provide for the active treatment and care of the population that would be needed if the population were increased.

The DDS trailer bill language is as follows:

*Add Section 7502.5. "The total number of developmental center residents in the secure treatment facility at Porterville Developmental Center shall not exceed 297."*

The DDS notes that no existing services to individuals residing at the Developmental Centers would be affected by this reduction proposal.

**Background—Porterville Secure Treatment Program.** Through legislation enacted in 1999, Porterville is the designated DC for admissions of individuals with forensic and penal-code related offenses. A specific program—Secure Treatment—was established for this population at the facility.

There are presently about 300 residents in the Secure Treatment Program. Residents are usually court-ordered to the Secure Treatment Program.

The 96-bed expansion project is lease revenue bond funded by the state and managed by the Department of General Services. The state will be required to begin scheduled payments on the bond funding after construction is completed, the Fire Marshal has signed off and the bonds are sold. The DDS budget includes funding for the bond payments.

### **Subcommittee Staff Comment and Recommendation—Approve Governor's Proposal.**

Due to the severe fiscal situation, it is recommended to approve the Governor's proposal. The Administration's proposal would defer new caseload at the Porterville Secure Treatment Program for at least one-year and potentially longer. As such forensic individuals would need to continue to receive assistance through County Jails and other facilities for the incarcerated.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. **DDS**, Please provide a *brief* summary of the proposal.

## **2. DDS Request for Augmentation for Security on 96-Bed Expansion**

**Issue.** The DDS is requesting an increase of \$600,000 (General Fund) in one-time funding to acquire external perimeter security cameras for the Secure Treatment Program and the 96-bed expansion.

The DDS states that the proposed external perimeter security cameras would work in conjunction with a security system that has already been approved as part of the construction design for the 96-bed expansion project.

**Subcommittee Staff Comment and Recommendation—Deny Request.** Subcommittee staff recommends denying the \$600,000 General Fund request at this time.

First, the 96-bed expansion will have a security system as part of its construction design. Second, the DDS is deferring usage of the residential aspect of the expansion as noted under issue 1 of this Agenda. As such, given the severe fiscal situation, it is recommended to deny this augmentation. This should be done in order to mitigate direct service reductions in other areas of the budget.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. **DDS**, Please provide a *brief* summary of the proposal.

### **3. Porterville Capital Outlay Project for 24 Satellite Kitchens/Dinning Rooms**

**Issue.** The DDS is requesting an augmentation of \$18.3 million General Fund for the construction phase of renovating 24 satellite kitchens/dining rooms at Porterville Developmental Center.

The DDS states that this construction phase will accomplish needed renovations for Porterville bring them up to code compliance. The 24 satellite kitchens/dinning rooms do not presently meet all health and safety standards for serving food. The satellite kitchen equipment is 22 years old and some of it is not fully operational.

All food is first prepared in the Main Kitchen and is then transported cold to the satellite kitchens for refrigeration until needed. The satellite kitchens are then used to warm, hold and serve the food. Tray and container storage, rethermalization ovens, holding and warming tables and other equipment in the satellite kitchens need to work in tandem with the Main Kitchen.

The Main Kitchen is being rebuilt using lease-revenue funds of \$25.4 million and has already been approved by the Legislature.

DDS states that lease-revenue bonds cannot be used to fund the 24 satellite kitchens/dining rooms. This is because only one source of lease bond authority at a time can be used on any given structure. As such, only a small part of the building—the satellite kitchen/dining room—would actually be improved by these projects and thus preventing lease-revenue funded improvements to the rest of the structure while such bonds were being paid off.

**Subcommittee Staff Comment and Recommendation—Reject Augmentation and Defer Project.** As noted, the Legislature did approve funding for the construction of the Main Kitchen at Porterville using lease-revenue bonds of \$25.4 million (lease revenue bonds). As such, work is continuing on completion of the Main Kitchen where food is first prepared and packaged.

The Legislature also approved the preliminary plans and working drawings for the 24 satellite kitchens/dining rooms at Porterville. According to an updated schedule, the construction start date would begin May 2009 with the project being completed by May 2011, assuming the appropriation of the \$18 million General Fund in this budget.

However, though the Legislature approved the preliminary plans and working drawings for the 24 satellite kitchens/dining rooms at Porterville, Subcommittee staff is recommending to defer the \$18 million (General Fund) construction costs until 2009-2010.

Due to the severe fiscal crisis this level of General Fund expenditure should be deferred until 2009-2010. This should be done in order to mitigate direct service reductions in other areas of the budget.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please provide a brief summary of the budget proposal.

## **D. ISSUES FOR DISCUSSION-- COMMUNITY-BASED SERVICES**

**Background on Regional Centers (RCs).** The DDS contracts with 21 not-for-profit Regional Centers (RCs) which have designated catchment areas for service coverage throughout the state. The RCs are responsible for providing a series of services, including case management, intake and assessment, community resource development, and individual program planning assistance for consumers. The budget provides funding for these administrative services through the "Operations" subcategory provided to Regional Centers.

RCs also purchase services for consumers and their families from approved vendors and coordinate consumer services with other public entities. Generally, RCs pay for services only if an individual does not have private insurance or they cannot refer an individual to so-called "generic" services that are provided at the local level by the state, counties, cities, school districts, and other agencies. For example, Medi-Cal services and In-Home Supportive Services (IHSS) are "generic" services because the RC does not directly purchase these services.

RCs purchase services such as **(1)** residential care provided by community care facilities; **(2)** support services for individuals living in supported living arrangements; **(3)** Day Programs; **(4)** transportation; **(5)** respite; **(6)** health care; and many other types of services. The budget provides funding for these services through the "Purchase of Services" subcategory provided to Regional Centers.

Services and supports provided for individuals with developmental disabilities are coordinated through the Individualized Program Plan (IPP). The IPP is prepared jointly by an interdisciplinary team consisting of the consumer, parent/guardian/conservator, persons who have important roles in evaluating or assisting the consumer, and representatives from the Regional Center and/or state Developmental Center. Services included in the consumer's IPP are considered to be entitlements (court ruling).

In addition, as recognized in the Lanterman Act, differences (to certain degrees) may occur across communities (Regional Center catchment areas) to reflect the individual needs of the consumers, the diversity of the regions which are being served, the availability and types of services overall, access to "generic" services (i.e., services provided by other public agencies which are similar in charter to those provided through a Regional Center),

**Background—Summary of Budget Funding & Consumer Population.** The budget proposes expenditures of \$3.8 billion (\$2.3 billion General Fund) for community-based services, provided via the Regional Centers, to serve a total of 220,600 consumers living in the community. This funding level includes \$525 million for RC operations and \$3.3 billion for the Purchase of Services, including funds for the Early Start Program and habilitation services. The budget assumes a caseload of 232,125 consumers for 2008-09.

## **1. Funding Associated with the Agnews DC Closure: Issue “A” & Issue “B”**

**Overall Issue--Closure of Agnews and Proposed Expenditures.** The Governor’s budget reflects various adjustments related to the Administration’s closure of the Agnews Developmental Center by June 30, 2008. These adjustments are reflected in both the Developmental Center item *and* Regional Center item of the Budget Bill due to the transitioning of consumers from Agnews to other living arrangements.

Overall, the DDS is proposing total expenditures of \$136.4 million (\$71.8 million General Fund), along with 76 state positions, related to the closure of Agnews. This expenditure figure includes \$31.1 million (\$4.2 million General Fund) in expenditures in the Developmental Center item, and \$105.3 million (\$67.6 million General Fund) in expenditures in the Regional Center item.

The total proposed expenditures of \$136.4 million (\$71.8 million General Fund) for 2008-09 reflect a *reduction* of \$23.8 million (\$26.4 million General Fund) as compared to the revised current-year.

**Issue “A”** of this Agenda will discuss the expenditures relating to the Developmental Center item, and **Issue “B”** will discuss the expenditures relating to the Regional Center item. (These issues are outlined below, after the following background section.)

**Additional Background on Agnews.** The plan to close Agnews Developmental Center was developed over a three-year period and formally submitted to the Legislature in January 2005. Enabling legislation to support the implementation of critical elements of the plan has been enacted, including Assembly Bill 2100 (Steinberg), Statutes of 2004, Senate Bill 962 (Chesbro), Statutes of 2005, Senate Bill 643 (Chesbro), Statutes of 2005, and Assembly Bill 1378 (Lieber), Statutes of 2005.

The Agnews Developmental Center Plan closure is *different* than the two most recent closures of Developmental Centers—Stockton DC in 1996 and Camarillo DC in 1997—both of which resulted in the transfer of large numbers of individuals to other state-operated facilities. In contrast, the Agnews Plan relies on the development of an improved and expanded community service delivery system in the Bay Area that will enable Agnew’s residents to transition and remain in their home communities.

Among other things, the DDS proposes to achieve this improved and expanded community service delivery system by:

- Establishing a permanent stock of housing dedicated to serving individuals with developmental disabilities;
- Establishing new residential service models for the care of developmentally disabled adults;
- Utilizing Agnew’s state employees on a transitional basis in community settings to augment and enhance services including health care, clinical services and quality assurance; and
- Implementing a Quality Management System (QMS) that focuses on assuring that quality services and supports are available in the community, including access to health care services.

**Issue “A”—Discussion of Agnews Developmental Center Funding for 2008-09.** The table below displays the fiscal changes proposed by the DDS regarding expenditures on the *Developmental Center side* of the budget. This assumes closure by June 30, 2008.

**DDS’ Fiscal Estimate for Developmental Center (Agnews) Changes**

<b>Developmental Center Components</b>	<b>Revised CY 2007-08</b>	<b>Budget Year 2008-09</b>	<b>Difference</b>
<b>1. Agnews DC Base Budget</b>			
Total Dollars	<b>\$73.7 million</b>	<b>\$0</b>	<b>-\$73.7 million</b>
General Fund	(\$39.3 million)	(\$0)	(\$39.3 million)
Staff Positions	967 staff	0 staff	-967 staff
Beginning Year Residents	220 people	0 people	-220 people
<b>2. Placements into the Community</b>			
Total Dollars	<b>-\$11.5 million</b>	<b>\$0</b>	<b>\$11.5 million</b>
General Fund	(\$6.1 million)	(\$0)	(\$6.1 million)
Staff Positions	-145 staff	0	145 staff
Placements	-204 people	0 people	204 people
Deaths	-6 people	0 people	6 people
<b>3. Consumer Transfers to Other DCs</b>			
Total Dollars	<b>-\$430,000</b>	<b>\$0</b>	<b>\$430,000</b>
General Fund	(\$229,000)	0	(\$229,000)
Transfers	-10 people	0 people	10 people
<b>4. State Employees in the Community</b>			
Total Dollars	<b>\$9.5 million</b>	<b>\$24.5 million</b>	<b>\$15.1 million</b>
Primary Care Clinic & Closure Svs	--	\$4 million	\$4 million
Clinical Staff	\$1.6 million	\$2.5 million	989,000
Direct Support Services Staff	\$7.7 million	\$17.5 million	\$9.9 million
Administrative Staff	\$242,000	\$485,000	\$243,000
<b>5. Administrative Staff for Closure</b>			
General Fund	<b>\$0</b>	<b>\$195,000</b>	<b>\$195,000</b>
Staff Positions	0	5.0	5.0
<b>6. Warm Shut Down</b>			
General Fund	<b>\$0</b>	<b>\$2.8 million</b>	<b>\$2.8 million</b>
Staff Positions		25	25
<b>7. Foster Grandparent Program</b>			
General Fund	<b>\$0</b>	<b>-\$318,000</b>	<b>-\$318,000</b>
<b>8. Staff Costs for Closure Plan</b>			
General Fund	<b>\$2.6 million</b>	<b>\$0</b>	<b>-\$2.6 million</b>
<b>9. Facility Preparation of Sonoma DC</b>			
General Fund	<b>\$39,000</b>	<b>\$0</b>	<b>-\$39,000</b>
<b>10. Consumer Relocation Costs</b>			
General Fund	<b>\$56,000</b>	<b>\$0</b>	<b>-\$56,000</b>
<b>11. Regional Resource Development Projects</b>			
General Fund	<b>\$0</b>	<b>\$863,000</b>	<b>\$863,000</b>
Staff Positions		13.0	13.0
<b>12. Agnews Staffing Plan</b>			
General Fund	<b>\$390,000</b>	<b>\$156,000</b>	<b>-\$234,000</b>
Staff Positions	10	3	-7
<b>Total Developmental Center Costs</b>			
Total Dollars	<b>\$77.2 million</b>	<b>\$31.1 million</b>	<b>-\$46.1 million</b>
General Fund	(\$36.2 million)	(\$4.2 million)	(\$32.1 million)
Staff Positions	835 staff	76 staff	-759 staff
Year Ending Resident Population	0 people	0 people	0 people

As noted in the above table, total expenditures for the Developmental Center item are \$31.1 million (\$4.2 million General Fund), including 76 staff positions for 2008-09. This reflects a reduction of \$46.1 million (\$32.1 million General Fund) and 759 staff from the facility as compared to the revised current-year.

It should be noted that the proposed DDS adjustments are contingent upon the development of resources in the community, including housing, to provide for the transition of the Agnews residents. DDS will be updating these figures at the May Revision to further refine the transition costs.

**The key adjustments as noted in the table above are discussed below:**

- Agnews Budget Base. This includes the costs related to the base operations of Agnews DC including personal services to provide care to residents at Agnews, operating expenses for services and equipment costs. As noted in the table, the budget reflects elimination of this funding since the DDS assumes closure by June 30, 2008 and the budget year commences as of July 1, 2008 (for the 2008-09 fiscal year).

The elimination of funding assumes that all of the residents of Agnews have been appropriately transitioned to community-living arrangements or other Developmental Centers. However, *Subcommittee staff notes that as of March 26, the DDS shows that 162 people are still residing at Agnews. As such, it is unlikely that the DDS will be fully closing Agnews as of June 30, 2008.*

- Placements into the Community. This includes the savings resulting from the relocation of Agnews residents into the community. The DDS assumes that of the current-year beginning population of 220 residents will decrease by 204 residents in 2007-08 as people transition into the Bay Area Housing and related community-arrangements.
- Consumer Transfers to Other Developmental Centers. The DDS assumes that 10 people will transition from Agnews to another Developmental Center (such as Sonoma, Fairview or Lanterman).
- State Employees in the Community & Outpatient Clinic. As provided for under existing statute, the DDS will fund certain state staff leaving Agnews in the community to facilitate residents transitioning. This includes funding for clinical staff and direct support staff.

As noted in the table, a total of \$4 million (\$192,000 General Fund) is proposed to continue the Primary Care Clinic and Closure Services. Through the leadership of Senator Alquist, trailer bill legislation was adopted in 2007 which requires this outpatient clinic and its related services to be provided.

- Administrative Staff for Closure. The DDS will need staff for a three-month period (25 staff for 3 months equals 5 full-time equivalents) to transfer and store essential records in a confidential manner and chronicle and preserve historical documents after facility closure.
- Warm Shut Down. This primarily includes funds for (1) 25 state staff to maintain the overall facility, (2) certain contracts, and (3) utilities at the facility. The DDS states that these resources are needed to maintain the Agnews facility, including security, utilities and supplies for 2008-09.



- Regional Resource Development Projects. These projects help ensure residents experience a successful transition to community living arrangements and assist transitioned residents already residing in the community to maintain their living arrangements should difficulties arise. This level of funding would provide 13 positions.
- Agnews Staffing Plan. This includes costs for non-level-of-care staff in various program areas to ensure adequate staff is maintained during the closure process, as well as maintaining the health and safety of residents.

**Agnews Developmental Center Resident Population—Is June 30, 2008 Closure Date Realistic?** According to the DDS, as of March 26, 2008, 162 consumers are residing at Agnews Developmental Center. As such, it is very unlikely that the DDS proposed closure date of June 30, 2008 will occur.

As discussed under Issue “B” of this Agenda below, part of this delayed transition is attributable to the Bay Area Housing Plan bringing various living arrangements on board a few months later than anticipated. Other factors may also be contributing to the slower transition.

**Existing Budget Bill Language Authority.** Within the annual state Budget Act, there is “Budget Bill Language” that provides the Department of Finance (DOF) with authority to require the State Controller to transfer funds across the both the Regional Center item and the Developmental Centers item (both ways).

This Budget Bill Language (under both items) enables the Administration to shift funds across items contingent upon Developmental Center resident population and Regional Center consumer population. This language enables state funding to more appropriately follow the individual needs of the overall population.

Specifically, this Budget Bill Language is under Item 4300-003-001, provision 3 (Developmental Centers), and Item 4300-101-0001, provision 1 (Community-Based, Regional Centers). As currently crafted, the language is as follows:

Provision 3 (Developmental Centers)

“Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-101-0001.

Provision 1 (Community-Based, Regional Centers)

“Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-003-0001.

**Subcommittee Staff Comment and Recommendation—Take Some Action Now and Wait for May Revision.** The proposed adjustments are consistent with the Administration’s updated plan provided to the Legislature on January 10, 2008, as required by statute. The Administration will be updating the Agnews plan at the time of the Governor’s May Revision.

It should be noted that though the DDS’ budget assumes that all residents of Agnews are appropriately transitioned to community-living arrangements or other Developmental

Centers, the actual DDS schedule does not reflect a complete transition by June 30, 2008. Subcommittee staff is not raising any issues with respect to not having a complete transition by this date. *The Legislature has always conveyed that the health and safety of people being transitioned from Agnews would be first and foremost. But the DDS needs to be forthright to the residents of Agnews and their families, the developmental services community, and the Legislature as to any concerns that a later date may pose, if any.*

Since existing Budget Bill Language provides for funding shifts between items, as noted above, it is expected that the DDS will manage within its overall budget to appropriately provide assistance to people as needed while transitioning. The DDS is in charge of administering the program.

It is however, recommended to modify the existing Budget Bill Language to ensure appropriate notification to the Legislature and content as to why the transfers are needed. This language will also provide more oversight of the Agnews Developmental Center closure.

The suggested revised Budget Bill Language would be as follows (for both items).

““Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-003-0001 (or 4300-101-0001 as applicable). Within 10 working days after approval of a transfer as authorized by this provision, the Department of Finance shall notify the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee of the transfer, including the amount transferred, how the amount was determined, and how the amount will be utilized.”

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please briefly discuss *each* of the components of the Agnews DC closure as contained in the table above. (Please follow the table order).
2. DDS, Please briefly discuss the key aspects of the Agnews closure which are to occur over the next few months, including the need to maintain a balance of experienced staff at Agnews until all of the residents are transitioned.
3. DDS, Is it likely that the Administration's proposed Agnews closure date of June 30, 2008 will actually occur sometime during the first quarter of the new fiscal year (i.e., between July 1 and September 30, 2008)? Can a later date pose any concerns?

## **Issue “B”— Regional Center Expenditures Associated with Agnews DC Closure**

**Issue.** The table below displays the fiscal changes proposed by the DDS regarding expenditures on the *Regional Center side* of the budget due to the Agnews Developmental Center closure. Under this issue, the Subcommittee will discuss the expenditure components as contained in the table below, as well as obtain a Bay Area Housing update, and an update regarding the provision of health care services regarding people transitioning from Agnews.

### **DDS’ Fiscal Estimate for Regional Center Changes Due to Agnews Closure**

<b>Regional Center Components</b>	<b>Revised CY 2007-08</b>	<b>Budget Year 2008-09</b>	<b>Difference</b>
<b>1. Community Placement Plan—Operations</b>			
<b>Total Funds</b>	\$9.4 million	\$8.1 million	-\$1.3 million
General Fund	(\$7.8 million)	(\$5.8 million)	(-\$2.0 million)
Unified RC Operations Costs	\$6.8 million	\$4.8 million	-\$2 million
State Employees in Community	\$1.5 million	\$2.5 million	\$989,000
Consultant—Housing Issues	\$280,000	--	-\$280,000
Evaluation of Licensing Pilots	\$250,000	\$200,000	-\$50,000
Foster Grandparent Program	\$499,000	\$499,000	--
<b>2. Community Placement—Purchase of Services</b>			
<b>Total Funds</b>	\$40.8 million	\$0	-\$40.8 million
General Fund	(\$29.5 million)	0	(-\$29.5 million)
Start Ups	\$12.4 million	0	-\$12.4 million
Assessments	0	0	0
Placements (property management & lease) (204 people placed)	\$28.4 million	0	-\$28.4 million
<b>3. Placement Continuation—Operations</b>			
<b>Total Funds</b>	\$297,000	\$587,000	\$290,000
General Fund	(\$121,000)	(\$206,000)	(\$85,000)
Client Program Coordinators	\$53,000	\$58,000	\$5,000
Nurse Consultant	\$14,000	\$297,000	\$283,000
Increased Access to Oral Health	\$230,000	\$232,000	\$2,000
<b>4. Placement Continuation—Purchase of Services</b>			
<b>Total Funds</b>	\$32,485,000	\$96,636,000	\$64,151,000
General Fund	(\$24,502,000)	(\$61,603,000)	(\$37,101,000)
Prior Year Placements	70 people	204 people	134 people
<b>Total Regional Center Costs of Agnews Closure</b>			
<b>Total Dollars</b>	\$83,013,000	\$105,310,000	\$22,297,000
General Fund	(\$61,942,000)	(\$67,626,000)	(\$5,684,000)
Prior Year Placements	70 people	204 people	134 people

As noted in the table above, a total increase of \$22.3 million (\$5.7 million General Fund) for Regional Center expenditures related to the Agnews closure is proposed for 2008-09. The purpose of this proposed increase is to provide for the ongoing housing, services and supports for people transitioning from Agnews. The budget assumes that an additional 134 people will be transitioned and then there will be the ongoing costs for the 70 people who were transitioned in the current-year.

All of the Regional Center expenditures (both operations and the purchase of services) pertain to Community Placement Plans which are developed through discussions between the DDS and each Regional Center (mainly San Andreas, East Bay and Golden Gate here because of their catchment area and Agnews) and are based on individual planning efforts for consumers.

It should be noted that the Operations component includes expenditures for four Health Care Community Specialists who are responsible for the health plan coordination for people moving into the community from Agnews DC as requested by Senator Alquist and approved by this Subcommittee in 2007-08.

**Continued Implementation of the Bay Area Housing Plan.** One of the foundations of the Agnews closure plan is the development of sufficient community capacity to support the transition of Agnew's consumers into the communities that are close to their families. New service and support options are being created that provide choices for each person and reflect the needs of the individual.

The acquisition and development of housing is a critical element. Over 75 percent of the current Agnew's residents will move into Bay Area Housing Plan (BAHP) homes. According to the DDS' most recent housing development plan, a total of 195 consumers are anticipated to reside in BAHP homes as noted in the table below.

**Table: Summary of Bay Area Housing Plan (BAHP)** (For all three Regional Centers)

Type of Home	Number of Homes	Number of Residents
"SB 962" Homes	24	87
Specialized Residential Home	24	71
Family Teaching Home	9	25
Residential Care Facility--Elderly	4	12
<b>Total</b>	<b>61 Homes</b>	<b>195 Residents</b>

Specifically by Regional Center, the following can be noted from the DDS' most recent plan

- **Golden Gate Regional Center.** It is anticipated that a total of 34 consumers will reside in BAHP homes. With **(1)** 11 consumers living in "SB 962" Homes; **(2)** 20 consumers living in Specialized Residential Homes; and **(3)** three consumers living in Residential Care Facility for the Elderly facilities.
- **San Andreas Regional Center.** It is anticipated that a total of 119 consumers will reside in BAHP homes. With **(1)** 56 consumers to be living in "SB 962" Homes; **(2)** 34 consumers living in Specialized Residential Homes; **(3)** 25 consumers to be living in Family Teaching Homes; and **(4)** four consumers in Residential Care Facility for the Elderly.

- **Regional Center of the East Bay.** It is anticipated that a total of 42 consumers will reside in BAHF homes. With **(1)** 20 consumers living in “SB 962” Homes; **(2)** 17 consumers living in Specialized Residential Homes, and **(3)** five consumers living in Residential Care Facility for the Elderly.

There are several critical steps to the BAHF roll-out, including the acquisition of properties, closure of escrow, working with local zoning and building requirements which can vary across the various jurisdictions (i.e., 13 different cities and towns, plus county requirements), obtaining providers to operate the homes and provide services, obtaining licensing approval, and working closely with consumers and their families.

**Background— Bay Area Housing Plan (BAHF).** The enactment of Assembly Bill 2100 (Steinberg), Statutes of 2004 and Senate Bill 962 (Chesbro), Statutes of 2005, authorized the DDS to approve proposals from the Bay Area Regional Centers (i.e., San Andreas RC, RC of the East Bay, and Golden Gate RC) to provide for, secure, and assure the payment of leases for housing for people with developmental disabilities.

A key component of this plan is a partnership between the DDS, the housing developer—Hallmark Community Services—, the three Bay Area Regional Centers, and the Bay Area non-profit housing development corporations. Through this partnership, they have secured the necessary agreements for bond financing with the California Housing Finance Agency (CalHFA) and construction financing with the Bank of America. These funds are used to acquire properties and either renovate or construct “SB 962” Homes, Family Teaching Homes, and Specialized Residential Homes.

The entire bond package, issued in phases, will total in the aggregate about \$120 million. The bonds will fully amortize over 15 years. The purpose of the taxable and tax-exempt bonds is to fund the permanent financing of the BAHF properties upon completion of respective renovation and occupation by consumers.

**Background—New Models for Residential Services.** To address the needs of Agnew’s residents, various new models for community-based residential services have been structured. These are briefly described below.

- **“SB 962” Homes.** Senate Bill 962 (Chesbro), Statutes of 2005, directed DDS to establish a new pilot residential project designed for individuals with special health care needs and intensive support needs. Examples of health services that can be provided in this type of home include, but are not limited to, nutritional support; gastrostomy feeding and hydration; renal dialysis; and special medication regimes including injections, intravenous medications, management of insulin, catheterization, and pain management. Nursing staff will be on duty 24-hours per day.

This pilot is a joint venture with the Department of Social Services (DSS) and will serve up to 120 adults, with no more than five adults residing in each facility. This pilot is to be limited to individuals currently residing at Agnews.

- **Specialized Residential Homes.** These homes are designed for individuals with behavioral challenges or other specialized needs, and will serve from three to four consumers per home. These homes provide 24-hour on-site staff with specialized expertise to meet the unique needs of the individuals. These homes have the capability for on-site crisis response.

It should be noted that when a majority of the consumers living in this model of home turns age 60, the home will need to be re-licensed as a Residential Care Facility for the Elderly (RCFE) (as required by state statute). Therefore, all BAHF Specialized Residential Homes will be constructed to address the physical plan requirements for an RCFE licensure.

- *Family Teaching Homes.* Among other things, Assembly Bill 2100 (Steinberg), Statutes of 2004, added a new “Family Teaching Home” model to the list of residential living options. This new model is designed to support up to three adults with developmental disabilities by having a “teaching family” living next door (usually using a duplex). The teaching family manages the individual’s home and provides direct support when needed. Wrap-around services, such as work and day program supports, are also part of this model.

**Background--Individualized Health Plan for Each Consumer.** As part of their Individual Program Plan (IPP) process prior to transitioning from Agnews, each Agnews’ resident will receive a comprehensive nursing and risk assessment which is comprised of over 60 health-related items. This assessment is then used to develop a Health Transition Plan that is incorporated into the IPP.

The Health Transition Plan specifically states how each health need will be met following transition from Agnews, as well as the provider of each service.

**Background—Consumer “Post-Placement” Monitoring.** Upon an individual’s move to a community living arrangement, state staff and Regional Center staff are to closely monitor the placement to ensure a smooth transition. **Key monitoring activities include the following:**

- State staff provide follow-up with the consumer at five days, 30 days, six months, and 12 months after the move;
- Regional Center staff conducts face-to-face visit every 30 days for the first 90 days after the move and as determined by the Individual Program Plan thereafter;
- State staff, in coordination with RC staff, provide additional visits, supports and onsite training to the consumer and service provider as needed to address the individual’s service needs;
- For the first year following transition from a Developmental Center, consumers receive enhanced Regional Center case management. For Agnews Developmental Center residents, the enhanced case management is for two years;
- A Quality Assurance Council, consisting of family members, consumers, and providers has been convened to review and monitor the quality of services provided to consumers who have moved from Agnews;
- Medically fragile consumers transitioning from Agnews to homes licensed by the Department of Social Services for consumers with special health care needs will be visited by a nurse at least monthly, or more frequently as appropriate. In addition, these consumers will be seen by a physician at least every 60-days or more frequently if specified in the consumer’s healthcare plan;
- For every individual who has moved from a Developmental Center since April 1995, an independent contractor evaluates the consumer’s quality of care, programs, health and safety, and satisfaction; and

- The Organization of Area Boards conducts a Life Quality Assessment once every three years for every consumer living in an out-of-home community setting. These assessments assist in ensuring that people are receiving the services they need.

**Legislature's Actions From Budget Act of 2007.** Several actions were taken by the Legislature to strengthen various aspects of the Agnews closure in order to more comprehensively ensure the health and safety of people who are moving, and to assist in ensuring the life quality of people presently living in the community who have already transitioned from Agnews. A summary of these key actions are as follows:

- Augmented by \$503,000 (\$126,000 General Fund) to provide four new positions at the Regional Centers to serve as Health Care Community Specialists in the surrounding communities of Agnews. (This is funded in the budget.);
- Required the Secretary of the Health and Human Services Agency to verify detailed health care protocols across departments and programs to ensure continuity of consumer's health care and accountability within the Administration, as well as at the community level between Regional Centers and Medi-Cal Managed Care Plans. (These have been completed.)
- Required the Department of Health Care Services to appropriately fund Medi-Cal Managed Care Plans to provide health care services to people transitioning from Agnews;
- Required the DDS to continue operation of the Agnews DC Outpatient Clinic as stated in statute. (DDS is continuing as required.)
- Adopted comprehensive reporting requirements, including having the DDS provide the Legislature with a detailed report on the closure by January 10, 2009. This is in addition to the presently required update at the May Revision (May 15, 2008).

**Subcommittee Staff Comment and Recommendation—Wait for May Revision.** The proposed adjustments are consistent with the Administration's updated plan provided to the Legislature on January 10, 2008, as required by statute. The Administration will be updating the Agnews plan at the time of the Governor's May Revision. It is recommended to leave this issue open until this time.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Using the table as contained in the Agenda, please provide a *brief* description of each expenditure component.
2. DDS, Please provide *brief* update regarding the Bay Area Housing Plan and when **all** of the homes will be ready to receive people transitioning from Agnews.
3. DDS, Please provide a *brief* update regarding the provision of health care services in the community.
4. DDS, Is it likely that the Administration's proposed Agnews closure date of June 30, 2008 will actually occur sometime during the first quarter of the new fiscal year (i.e., between July 1 and September 30, 2008)? Can a later date pose any concerns?

## **2. Governor's Unallocated Reduction of \$192.7 million to Regional Centers**

**Issue.** The Governor's January budget contains an "unallocated" reduction of \$192.7 million (\$112.7 million General Fund) to the "Purchase of Services" within the Regional Centers budget. This unallocated reduction is *in addition* to the Governor's reduction of \$252.1 million (General Fund) as adopted by the Legislature in Special Session.

No clear explanation of this "unallocated" reduction has yet to be provided to Subcommittee staff. The DDS did finally release a report *last week* done by Acumen and Associates regarding Regional Center expenditures from certain prior years (latest being 2005-06). This report was intended to provide data regarding historical expenditures and service areas with increasing costs. However, even with the release of this report, the DDS has not been forthcoming as to how their \$192.7 million (\$112.7 million General Fund) was derived or the key aspects of this report which were of use to the Administration.

The DDS states that the current estimating model used to project the Purchase of Services expenditures projects significant growth in 2008-09 in certain categories, including (1) Community Care Facilities; (2) Day Programs; (3) Supported Services; (4) In-Home Respite; and (5) Miscellaneous Services. The DDS believes these particular Purchase of Services categories to be projecting cost increases above caseload growth and that utilization of services (i.e., number or frequency of services provided).

Specifically, the DDS assumes that the "unallocated" reduction of \$192.7 million (\$112.7 million General Fund) comes from the following:

- |                             |                 |
|-----------------------------|-----------------|
| • Support Services          | \$127.9 million |
| • Community Care Facilities | \$ 77.9 million |
| • Miscellaneous Services    | \$ 50.3 million |
| • Day Programs              | \$ 39.2 million |
| • In-Home Respite           | \$ 34.3 million |

Again however, the DDS has not provided Subcommittee staff with any analysis as how this was derived or what this "unallocated" reduction would mean with respect to Regional Center consumer's health, welfare and safety. Further, this "unallocated" reduction is on top of the Governor's reductions associated with various "cost containment" measures already approved by the Legislature in Special Session.

DDS contends that a number of factors *could be* responsible for increased costs including, *but not limited to*: (1) the transition of children from public school funding to Regional Center funding; (2) aging parents who require increasing support to maintain their adult children at home or who require their children to be placed out-of-home; (3) the increasing longevity of consumers requiring more support services; (4) the movement of consumers from Developmental Centers who require significant community-based services; and (5) the increase in children diagnosed with Autism, who often require specialized, expensive services.



**Governor's Reductions Adopted by the Legislature in Special Session—Regional Center.** The table below summarizes the Governor's reductions adopted by the Legislature in Special Session that directly affect the Regional Centers budget (both Purchase of Services and Operations).

Most of the adopted reductions are attributable to the Governor's proposal to make *permanent* cost containment measures enacted in prior years regarding Regional Center Purchase of Services funds and Operations funds.

With respect to the Governor's reductions for Purchase of Services funds, these measures included the following: (1) Freezing rates for Non-Community Placement Start-Up; (2) Freezing rates for Day Program, Work Activity, and In-Home Respite services; (3) Freezing rates for Community Care Facilities (CCF) and eliminating the SSI/SSP pass-through to these facilities; (4) Freezing all Regional Center negotiated rates and establishing limits for new negotiated rate programs and services; and (5) Freezing rates for Habilitation Services.

**Governor's Reductions Adopted by Legislature in Special Session**

<b>Department of Developmental Services Community Based Services/Regional Centers</b>	<b>Reduction for 2007-08 (General Fund)</b>	<b>Reduction for 2008-09 (General Fund)</b>
<b>Community-Based Services</b>		
Governor's Cost Containment Measures for Purchase of Services (POS)		-\$228,800,000
Governor's Expansion of Family Cost Participation Fee		-\$773,000
<b>Subtotal of Purchase of Services Reduction</b>		<b>-\$229,573,000</b>
Governor's Cost Containment for Regional Center Operations		-\$20,500,000
Governor's Reduction: Community Placement Operations by 10%	-\$660,000	-\$2,000,000
Governor's Reduction: Regional Center Operations for HIPAA	-\$23,000	-\$71,000
<b>Subtotal of Regional Center's Operations Reduction</b>		<b>-\$22,571,000</b>
<b>TOTAL General Fund Reduction</b>	<b>-\$683,000</b>	<b>-\$252,144,000</b>

The Legislature adopted the Governor's statutory changes as requested for the reductions specified in the table above. These statutory changes are contained in Assembly Bill 5 XXX, Statutes of 2008.

**Legislative Analyst's Office Comment.** The LAO believes that the Regional Centers are likely under-budgeted due to the DDS' proposed \$192.2 million (\$112.7 million General Fund) "unallocated" reduction. As such, the LAO recommends for the DDS to report at budget hearings on the *specific causes* for the increased utilization of services and costs.

The LAO states that without accurate information, the Legislature lacks the information it needs to assess the causes of the growth in the program and to determine which policies would be most effective to contain these costs.

**Subcommittee Staff Comment and Recommendation—Hold Open.** The DDS is *not* providing \$192.7 million (\$112.7 million General Fund) for the Purchase of Services to recognize growth due to estimated cost and utilization of services. This equates to an "unallocated" reduction on top of the Governor's cost containment proposals adopted by the Legislature.

The DDS has not provided any rational as to how this figure was fully derived, nor have they provided information on how this proposed reduction will directly affect consumers or various provider groups.

It is recommended to leave this issue open until the DDS is forthcoming with specific information.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please describe how the “unallocated” reduction of \$192.7 million (\$112.7 million General Fund) was derived?
2. DDS, Specifically, how will the Governor’s “unallocated” reduction affect consumers of Regional Center services? How will it affect the specific categories of providers?
3. DDS, When will a comprehensive analysis of the Purchase of Services costs be provided to the Legislature?
4. DDS, Will the Administration be proposing any statutory changes regarding this “unallocated” reduction? If not, how does the Administration expect to achieve the reduction?

### **3. Governor's Proposal to Reduce Clients' Rights Advocacy**

**Issue.** The Governor has proposed to reduce the contract for Clients' Rights Advocacy services by 10 percent. The current contract cost is projected to be \$5.1 million (General Fund). The Governor's proposal would reduce this by \$512,000 (General Fund) for a total expenditure of \$4.6 million for 2008-09.

The DDS states that the reduction would decrease the contractor's ability to provide direct advocacy assistance and consultation to consumers and their families, as well as indirect assistance such as training and educational efforts.

**Background—Client's Rights Advocacy Contract.** Existing statute requires the DDS to contract with an outside entity for the provision of clients' rights advocacy (Section 4433 of Welfare and Institutions Code). This was done to avoid any appearance of a conflict of interest (by the DDS or the Regional Centers).

The DDS contracts with Protection and Advocacy, Incorporated through its Office of Clients' Rights Advocacy for the statewide provision of clients' rights advocacy to consumers served by the 21 Regional Centers.

**Subcommittee Staff Recommendation—Adopt the Governor's Reduction.** Clearly clients' rights advocacy is an important service for people. However, funding for direct services needs to be the priority. Further the Organization of Area Boards, which is federally funded, also provides some clients' rights advocacy assistance to people with developmental disabilities and their families. As such given the fiscal crisis, it is recommended to adopt the Governor's reduction proposal.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please provide a brief description of the program and the Governor's proposed reduction.

#### **4. Governor's Reduction to Supported Employment Programs**

**Issue.** The Governor is proposing a reduction of \$9.6 million (\$7.7 million General Fund) to reduce the 24 percent rate increase provided to Supported Employment Programs in the Budget Act of 2006, by 10 percent.

The Governor's proposed 10 percent reduction would reduce the rate for job coach services from \$34.24 to \$30.82 per hour. Trailer bill language would be needed to implement this reduction. The savings level assumes a July 1, 2008 effective date.

The Budget Act of 2006 provided a 24 percent increase in Supported Employment Programs to assist in the development of employment services for persons with developmental disabilities. Specifically, it was increased from \$27.62 per hour to \$34.24 per hour. This rate increase was expected to assist in the development of 600 additional new jobs annually.

The DDS rate reduction does not assume any reduction in the number of consumers entering employment services.

**Background—Supported Employment Programs.** Supported employment provides opportunities for persons with developmental disabilities to work in the community, in integrated settings, with support services provided by community rehabilitation programs. These services enable consumers to learn necessary job skills and maintain employment.

Supported Employment Programs provide services for individually employed consumers (individual placements), as well as consumers employed in group settings (group employment.)

The caseload is affected by Regional Centers referring consumers for supported employment from "Work Activity Programs" (WAPs), Day Programs, schools or other programs. Caseload is also impacted by employment opportunities within the community and the ability of consumers to obtain and maintain employment. These factors are critical because these services are only purchased when the consumer is employed.

**Legislative Analyst's Office Recommendation—Adopt Governor's Reduction.** The LAO recommends adoption of the Governor's 10 percent reduction.

**Subcommittee Staff Recommendation—Hold Open Pending May Revision.** It is recommended to hold this issue open pending receipt of the May Revision.

**Questions.** The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please provide a brief description of the program and the Governor's proposed reduction.